

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ishpeming Housing Commission	County Marquette
Fiscal Year End 12/31/2006	Opinion Date 9/20/2007	Date Audit Report Submitted to State 10/2/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

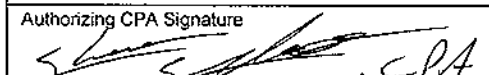
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt Street		City Iron Mountain	State MI
Zip 49801			
Authorizing CPA Signature 	Printed Name Shane M. Ellison	License Number 263063	

ISHPEMING HOUSING COMMISSION
REPORT ON FINANCIAL STATEMENTS
(with supplemental information)
For the Year Ended December 31, 2006

ISHPEMING HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ishpeming Housing Commission
Ishpeming, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Ishpeming Housing Commission as of and for the year ended December 31, 2006 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ishpeming Housing Commission as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2007 on our consideration of the Ishpeming Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ishpeming Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 20, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Ishpeming Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2006. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$5,146,456 for the year ended December 31, 2006 compared to \$5,020,600 for the year ended December 31, 2005.
- The Commission's operating revenues totaled \$521,930 for the year ended December 31, 2006 and \$517,201 for the year ended December 31, 2005, while operating expenses totaled \$739,889 for the year ended December 31, 2006 and \$710,795 for the year ended December 31, 2005.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended December 31, 2006 increased \$125,856 from the year ended December 31, 2005.

Table 1

NET ASSETS

	December 31,	
	2006	2005
Assets		
Current assets	\$ 1,193,683	\$ 1,075,466
Capital assets (net)	<u>4,099,275</u>	<u>4,080,348</u>
Total assets	<u>5,292,958</u>	<u>5,155,814</u>
Liabilities		
Current liabilities	124,852	118,657
Noncurrent liabilities	<u>21,650</u>	<u>16,557</u>
Total liabilities	<u>146,502</u>	<u>135,214</u>
Net Assets		
Invested in capital assets, net of related debt	4,099,275	4,080,348
Unrestricted	<u>1,047,181</u>	<u>940,252</u>
Net Assets	<u>\$ 5,146,456</u>	<u>\$ 5,020,600</u>

Net assets of the Commission stood at \$5,146,456 for the year ended December 31, 2006 compared to \$5,020,600 for the year ended December 31, 2005. Unrestricted net business assets were \$1,047,181 for the year ended December 31, 2006 compared to \$940,252 for the year ended December 31, 2005. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a \$110,747 increase in cash and a \$8,692 increase in investments. The increase in current liabilities was largely due to a \$4,855 increase in accrued compensated absences.

Table 2**CHANGE IN NET ASSETS**

	Year Ended December 31,	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 339,928	\$ 346,632
Program grants and subsidies	460,255	166,294
General revenues:		
Other revenues	20,944	8,563
Unrestricted investment earnings	<u>44,618</u>	<u>16,676</u>
Total revenues	865,745	538,165
Program Expenses:		
Operating expenses	<u>739,889</u>	<u>710,795</u>
Change in net assets	125,856	(172,630)
Net assets - beginning of period	<u>5,020,600</u>	<u>5,193,230</u>
Net assets - end of period	<u>\$5,146,456</u>	<u>\$ 5,020,600</u>

BUSINESS - TYPE ACTIVITIES

Revenues for the Commission totaled \$865,745 for the year ended December 31, 2006 compared to \$538,165 for the year ended December 31, 2005. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to a \$21,641 increase in administrative expenses, a \$6,603 increase in maintenance expenses, and a \$9,307 increase in depreciation expense.

CAPTIAL ASSETS

Capital Assets

The Commission had \$7,952,722 invested in a variety of capital assets including land, equipment and buildings for the year ended December 31, 2006 compared to \$7,708,321 for the year ended December 31, 2005.

Table 3

CAPITAL ASSETS Business - Type Activity

	December 31,	
	2006	2005
Land and improvements	\$ 864,773	\$ 864,773
Building and improvements	6,791,456	6,629,289
Equipment	242,932	213,531
Construction in progress	<u>53,561</u>	<u>728</u>
Total	7,952,722	7,708,321
Less accumulated depreciation	<u>(3,853,447)</u>	<u>(3,627,973)</u>
NET CAPITAL ASSETS	<u>\$4,099,275</u>	<u>\$4,080,348</u>

The Commission invested \$291,872 in capital assets during the year ended December 31, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the calendar year 2007. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Evelyn Valente-Heikkila, at 111 Bluff Street, Ishpeming, Michigan 49849, or call 906-485-4100.

ISHPEMING HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

December 31, 2006

CURRENT ASSETS:

Cash and equivalents	\$ 392,756
Accounts receivable	1,078
Investments	786,508
Prepaid expenses	<u>13,341</u>

TOTAL CURRENT ASSETS

1,193,683

NONCURRENT ASSETS:

Capital assets	7,952,722
Less accumulated depreciation	<u>(3,853,447)</u>

NET CAPITAL ASSETS

4,099,275

TOTAL ASSETS

5,292,958

CURRENT LIABILITIES:

Accounts payable	23,209
Accrued liabilities	<u>101,643</u>

TOTAL CURRENT LIABILITIES

124,852

NONCURRENT LIABILITIES

21,650

TOTAL LIABILITIES

146,502

NET ASSETS:

Investment in capital assets, net of related debt	4,099,275
Unrestricted net assets	<u>1,047,181</u>

NET ASSETS

\$ 5,146,456

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The accompanying notes to financial statements are an integral part of this statement.



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CERTIFIED PUBLIC ACCOUNTANTS

ISHPEMING HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Public Housing	\$ 739,889	\$ 339,928	\$ 168,383	\$ 291,872
				\$ 60,294
General revenues:				
Unrestricted investment earnings				44,618
Other				20,944
Total general revenues				65,562
Changes in net assets				125,856
NET ASSETS, beginning of year				5,020,600
NET ASSETS, end of year				\$ 5,146,456

The accompanying notes to financial statements are an integral part of this statement.

ISHPEMING HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended December 31, 2006

OPERATING REVENUES:

Tenant revenue	\$ 339,928
Program grants-subsidies	168,383
Other income	<u>13,619</u>

TOTAL OPERATING REVENUES	<u>521,930</u>
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OPERATING EXPENSES:

Administration	168,564
Tenant services	1,308
Utilities	110,397
Maintenance	140,468
General	45,784
Depreciation	<u>273,368</u>

TOTAL OPERATING EXPENSES	<u>739,889</u>
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OPERATING (LOSS)	<u>(217,959)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Interest income	44,618
Capital grants	291,872
Gain on sale of capital assets	<u>7,325</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>343,815</u>
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CHANGE IN NET ASSETS	125,856
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NET ASSETS, BEGINNING OF YEAR	<u>5,020,600</u>
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NET ASSETS, END OF YEAR	<u>\$ 5,146,456</u>
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ISHPEMING HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 339,155
Cash received from grants and subsidies	168,806
Cash payments to suppliers for goods and services	(222,175)
Cash payments for wages and related benefits	(211,256)
Cash payments for payment in lieu of taxes	(20,224)
Other receipts	<u>13,619</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>67,925</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	291,872
Acquisition of capital assets	(292,297)
Proceeds from sale of capital assets	<u>7,325</u>

NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>6,900</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(8,692)
Investment income	<u>44,614</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>35,922</u>
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NET INCREASE IN CASH AND EQUIVALENTS	110,747
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>282,009</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 392,756</u>
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**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (217,959)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	273,368
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(350)
Decrease (Increase) in prepaid expenses	1,576
Increase (Decrease) in accounts payable	102
Increase (Decrease) in accrued liabilities	<u>11,188</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 67,925</u>
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The accompanying notes to financial statements are an integral part of this statement.



ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Ishpeming Housing Commission (Commission) was formed by the City of Ishpeming, Michigan under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City of Ishpeming.

The Commission manages 127 units of low rent public housing units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Ishpeming Housing Commission, but the Ishpeming Housing Commission is a component unit of the City of Ishpeming, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.

- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenses and the means of financing them. Prior to December 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 100
Checking accounts	337,914
Savings and money market accounts	<u>54,742</u>
TOTAL	<u>\$392,756</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for deposit custodial credit risk. As of December 31, 2006, the Commission held cash and equivalents in excess of insured limits in the amount of \$238,598 which were collateralized by Michigan Municipal Bonds with a fair market value of \$247,000 at December 31, 2006.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$786,508</u>	<u>\$287,379</u>	<u>\$499,129</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of December 31, 2006, the Commission held investments in excess of insured limits in the amount of \$52,072 which were not collateralized.



ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Peninsula Bank, Ishpeming, MI	\$ 43,179
Republic Bank, Ishpeming, MI	95,870
Ishpeming Credit Union, Ishpeming, MI	39,410
Wells Fargo Bank, Ishpeming, MI	<u>608,049</u>
Total	<u>\$786,508</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2006 is as follows:

	Balance 1-1-06	Additions	Deletions	Balance 12-31-06
Land and improvements	\$ 864,773	\$ -	\$ -	\$ 864,773
Building and improvements	6,629,289	162,167	-	6,791,456
Equipment	213,531	77,296	(47,895)	242,932
Construction in progress	<u>728</u>	<u>226,534</u>	<u>(173,701)</u>	<u>53,561</u>
	7,708,321	<u>\$ 465,997</u>	<u>\$ (221,596)</u>	7,952,722
Accumulated depreciation	<u>(3,627,973)</u>	<u>\$ (273,368)</u>	<u>\$ 47,894</u>	<u>(3,853,447)</u>
Net capital assets	<u>\$4,080,348</u>			<u>\$4,099,275</u>

Depreciation expense for the year was \$273,368.



ISHPEMING HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended December 31, 2006 totaled \$865,745 of which \$460,255 or 53.2% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

The Commission has established a SEP-IRA plan of which the Commission contributes 9% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$13,696.



**SUPPLEMENTAL
INFORMATION**

ISHPEMING HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 392,756	\$ -	\$ 392,756
100	Total cash	392,756	-	392,756
Accounts and notes receivables:				
122	Accounts receivable- HUD other projects	-	1	1
126	Accounts receivable- tenants	1,307	-	1,307
126.1	Allowance for doubtful accounts - tenants	(352)	-	(352)
129	Accrued interest receivable	122	-	122
120	Total receivables, net of allowances for doubtful accounts	1,077	1	1,078
Other current assets:				
131	Investments	786,508	-	786,508
142	Prepaid expenses	13,341	-	13,341
144	Interprogram due from	1	-	1
150	TOTAL CURRENT ASSETS	1,193,683	1	1,193,684
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	68,982	-	68,982
162	Buildings	6,621,793	169,663	6,791,456
163	Furniture, equipment & machinery - dwellings	32,892	64,953	97,845
164	Furniture, equipment & machinery - administration	129,803	15,284	145,087
165	Leasehold improvements	795,791	-	795,791
166	Accumulated depreciation	(3,839,898)	(13,549)	(3,853,447)
167	Construction in progress	-	53,561	53,561
160	Total fixed assets, net of accumulated depreciation	3,809,363	289,912	4,099,275
180	TOTAL NONCURRENT ASSETS	3,809,363	289,912	4,099,275
190	TOTAL ASSETS	\$ 5,003,046	\$ 289,913	\$ 5,292,959

See accompanying notes to financial statements.



ISHPEMING HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

December 31, 2006

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 23,209	\$ -	\$ 23,209
321	Accrued wages / payroll taxes payable	12,163	-	12,163
322	Accrued compensated absences - current portion	11,105	-	11,105
333	Accounts payable - other government	20,609	-	20,609
341	Tenant security deposits	45,835	-	45,835
342	Deferred revenues	11,931	-	11,931
347	Interprogram due from	-	1	1
310	TOTAL CURRENT LIABILITIES	124,852	1	124,853
354	Accrued compensated absences - non current	21,650	-	21,650
350	TOTAL NONCURRENT LIABILITIES	21,650	-	21,650
300	TOTAL LIABILITIES	146,502	1	146,503
<u>NET ASSETS</u>				
508.1	Investment in capital assets, net of related debt	3,809,363	289,912	4,099,275
512.1	Unrestricted net assets	1,047,181	-	1,047,181
513	TOTAL NET ASSETS	4,856,544	289,912	5,146,456
600	TOTAL LIABILITIES AND NET ASSETS	\$ 5,003,046	\$ 289,913	\$ 5,292,959

See accompanying notes to financial statements.

ISHPEMING HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended December 31, 2006

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>REVENUES</u>				
703	Net tenant rental revenue	339,928	-	339,928
705	Total tenant revenue	339,928	-	339,928
706	HUD PHA grants	162,955	5,428	168,383
706.1	Capital grants	-	291,872	291,872
711	Investment income - unrestricted	44,618	-	44,618
715	Other revenue	13,619	-	13,619
716	Gain/loss on sale of fixed assets	7,325	-	7,325
700	TOTAL REVENUE	568,445	297,300	865,745
<u>EXPENSES</u>				
Administrative:				
911	Administrative salaries	88,612	-	88,612
912	Auditing fees	2,900	-	2,900
914	Compensated absences	9,949	-	9,949
915	Employee benefit contributions- administrative	32,211	-	32,211
916	Other operating- administrative	29,464	5,428	34,892
	Total Administrative	163,136	5,428	168,564
Tenant services:				
924	Tenant services - other	1,308	-	1,308
Utilities:				
931	Water	25,944	-	25,944
932	Electricity	71,896	-	71,896
933	Gas	12,557	-	12,557
	Total Utilities	110,397	-	110,397
Maintenance:				
941	Ordinary maintenance and operations - labor	68,193	-	68,193
942	Ordinary maintenance and operations - materials & other	13,472	-	13,472
943	Ordinary maintenance and operations - contract costs	22,541	-	22,541
945	Employee benefit contributions- ordinary maintenance	36,262	-	36,262
	Total Maintenance	140,468	-	140,468

See accompanying notes to financial statements.



ISHPEMING HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
General expenses:				
961	Insurance premiums	24,823	-	24,823
963	Payments in lieu of taxes	20,609	-	20,609
964	Bad debts - tenant rents	352	-	352
	Total General Expenses	<u>45,784</u>	<u>-</u>	<u>45,784</u>
969	TOTAL OPERATING EXPENSES	<u>461,093</u>	<u>5,428</u>	<u>466,521</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>107,352</u>	<u>291,872</u>	<u>399,224</u>
974	Depreciation expense	<u>261,271</u>	<u>12,097</u>	<u>273,368</u>
900	TOTAL EXPENSES	<u>722,364</u>	<u>17,525</u>	<u>739,889</u>
Other financing sources (uses)				
1010	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$ (153,919)</u>	<u>\$ 279,775</u>	<u>\$ 125,856</u>
MEMO account information				
1103	Beginning equity	\$ 5,010,470	\$ 10,130	\$ 5,020,600
1104	Prior Period Adjustments, Equity Transfers	\$ (7)	\$ 7	\$ -
1120	Unit months available	1,524	-	1,524
1121	Number of unit months leased	1,494	-	1,494

See accompanying notes to financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Commissioners
Ishpeming Housing Commission
Ishpeming, Michigan

We have audited the financial statements of Ishpeming Housing Commission as of and for the year ended December 31, 2006, and have issued our report thereon dated September 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ishpeming Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ishpeming Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ishpeming Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ishpeming Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to Management of the Ishpeming Housing Commission in a separate letter dated September 20, 2007.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 20, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

September 20, 2007

Board of Commissioners
Ishpeming Housing Commission
Ishpeming, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Ishpeming Housing Commission for the year ended December 31, 2006, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 20, 2007, on the financial statements of the Ishpeming Housing Commission.

1. During the review of cash and investments it was noted that the Commission had a depository agreement signed with one bank but the funds in excess of \$100,000 were not collateralized.

Recommendation


The ACC contract with HUD states that the Commission is required to have depository agreements signed by all financial institutions it does business with. The depository agreement states that the financial institution will insure any of the Commission's funds that exceed \$100,000. Although the Commission had depository agreements signed with one of its banks, it did not follow-up with them to verify that they had those funds in excess of \$100,000 insured. At December 31, 2006, the Commission had funds in excess of insured amounts totaling \$52,072. The Commission should require its banks to provide documentation of collateral at a minimum on a quarterly basis. It is imperative that the Commission monitor its cash and investments continuously to verify that the collateral provided by the banks is adequate throughout the year. As of January 31, 2007 the Commission has addressed and taken care of the funds in excess of insured amounts

Ishpeming Housing Commission
September 20, 2007
Page 2

We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC


Shane M. Ellison, CPA
Principal